

Message Text

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73

ACTION COME-00

INFO OCT-01 ARA-16 ISO-00 EA-11 AID-20 CIAE-00 EB-11

FRB-02 INR-10 NSAE-00 RSC-01 TRSE-00 XMB-07 OPIC-12

SPC-03 CIEP-02 LAB-06 SIL-01 OMB-01 DOTE-00 SCI-06

FEA-02 INT-08 DRC-01 /121 W
----- 058306

R 041721Z FEB 74

FM AMEMBASSY QUITO

TO SECSTATE WASHDC 9887

INFO AMCONSUL GUAYAQUIL

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FOR COMMERCE/OED/MEPD

E.O. 11652: N/A

TAGS: BEXP, EC

SUBJ: MAJOR EXPORT PROJECT: QUITO SUBWAY SYSTEM

REF: A-9633, NOVEMBER 21, 1973

1. GOE ANNOUNCED DECISION ON JANUARY 31 TO BUILD SUBWAY SYSTEM IN QUITO AS "ONLY SOLUTION TO SERIOUS PROBLEM OF URBAN TRANSPORTATION". NEWS MEDIA REPORT THAT DISCUSSIONS ARE ALREADY TAKING PLACE BETWEEN GOE OFFICIALS AND JAPANESE TECHNICIANS "SENT TO ECUADOR BY GOJ" TO CONDUCT PRE-FEASIBILITY STUDY. ACCORDING TO PRESS, AGREEMENT WITH JAPANESE WILL BE REACHED IN MARCH FOR STUDIES ESTIMATED TO TAKE THREE YEARS TO COMPLETE.

2. BEGIN LOU: ANNOUNCEMENT OF PENDING GOE AGREEMENT WITH JAPANESE FOR FEASIBILITY STUDIES APPEARS TO BE PREMATURE, BASED ON CONFIDENTIAL INFORMATION MADE AVAILABLE TO EMBASSY. JAPAN TRANSPORT CONSULTANTS ASSOCIATION (JTCA) OF TOKYO SENT LETTER (WE HAVE ALREADY POUCHED COPIES TO STATE AND COMMERCE), DATED DECEMBER 28, 1973 TO PUBLIC WORKS MINISTER, COLONEL RODRIGUEZ, OFFERING JTCA

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SERVICES. (COMMENT: JTCA SURVEY MISSION VISITED QUITO IN EARLY

DECEMBER AND PRESUMABLY LEARNED OF GOE INTEREST IN SUBWAY AT THAT TIME.) YASUO KAWANO, PRESIDENT AND DIRECTOR OF JTCA, OFFERED MINISTER FOLLOWING SERVICES: TECHNICAL AND ECONOMICAL COMPARATIVE STUDY ON VARIOUS MODES OF RAPID TRANSIT SYSTEM; FEASIBILITY STUDY ON MOST SUITABLE TRANSPORT SYSTEM; DETAILED ENGINEERING DESIGN AND COST ESTIMATE; PREPARATION OF TENDER DOCUMENTS AND THEIR EVALUATION; AND SUPERVISION OF CONSTRUCTION.

3. JTCA, IF REQUESTED, IS ALSO WILLING TO ARRANGE FINANCING; PROVIDE SPECIAL TECHNOLOGY REQUIRED FOR CONSTRUCTION; ARRANGE FOR SUPPLY OF ALL MACHINERY, EQUIPMENT AND MATERIALS; AND TRAIN PERSONNEL TO OPERATE SUBWAY SYSTEM. KAWANO STATES PROJECT WOULD BE IMPLEMENTED ON TURN-KEY BASIS UTILIZING ALL AVAILABLE ECUADOREAN TECHNICAL PERSONNEL AND MATERIALS.

4. FINANCING: LETTER STATED THAT JTCA WAS "WILLING TO START NEGOTIATIONS WITH JAPANESE GOVERNMENT AS TO THE FINANCE OF THIS PROJECT IF WE ARE SO REQUESTED BY YOUR GOVERNMENT". FINANCING WOULD BE ON A LONG-TERM REPAYMENT BASIS OF ABOUT 15 YEARS WITH 2-3 YEARS GRACE PERIOD. SIGNIFICANT ASPECT IS THAT JAPANESE GROUP STRONGLY DESIRES AS A CONDITION FOR FINANCE AN ASSURANCE THAT YOUR GOVERNMENT WILL SUPPLY JAPANESE GROUP WITH THE CRUDE OIL WHICH IS PRODUCED IN ECUADOR FOR THE SETTLEMENT OF THE FINANCING."

5. WE QUERIED SUBSECRETARY OF PUBLIC WORKS MINISTRY WHO INFORMS US THAT AGREEMENT WITH JAPANESE IS ONLY TENTATIVE. FUNDS FOR FINANCING PRE-FEASIBILITY STUDY PRESENT PROBLEM FOR MINISTRY, AND JTCA HAS INSIDE TRACK SO FAR BECAUSE IT HAS OFFERED TO PROVIDE PRE-FEASIBILITY STUDY FREE OF CHARGE, UNDOUBTEDLY AS INCENTIVE TO OBTAIN LARGER AWARD. SUBSECRETARY HAS ASKED IF USG MIGHT PROVIDE LOAN FOR SUCH PURPOSE TO PERMIT GOE TO ENTERTAIN OFFERS OTHER THAN JAPANESE. END LOU.

6. ACCORDING TO LOCAL U.S. ENGINEERING CONSULTANT FIRM, PRE-FEASIBILITY STUDIES WILL COST ESTIMATED U.S. \$80,000, AND CONSTRUCTION OF AN UNDERGROUND SYSTEM WILL COST U.S. \$200-300 MILLION.

7. EMBASSY BELIEVES U.S. FIRMS STILL HAVE POSSIBILITY OF COMPETING LIMITED OFFICIAL USE

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FOR PRE-FEASIBILITY STUDY IF PROBLEM OF FINANCING THIS CAN BE RESOLVED BY THE MINISTRY. REQUEST THAT COMMERCE ASSIST IN THIS AREA IF POSSIBLE. ONE U.S. FIRM POSSIBLY INTERESTED IN CONDUCTING FEASIBILITY STUDIES IS ENVIRODYNE MARKETING, INC. (LOS ANGELES, CAL.). COMMATT HAS DISCUSSED MATTER IN QUITO WITH PRESIDENT WILLIAM V. LAWSON (COMPANY HAS ALREADY SUBMITTED BID FOR STUDY FO QUITO-GUAYAQUIL FREEWAY) AND LAWSON WILL SERIOUSLY CONSIDER PRESENTATION OF OFFER.

BREWSTER

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